

TESTIMONY OF JACQUELINE R. CHERRY**FOR****THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA****DOCKET NO. 2002-2-E****IN RE: SOUTH CAROLINA ELECTRIC & GAS COMPANY**

Q. PLEASE STATE FOR THE RECORD YOUR NAME, BUSINESS ADDRESS AND POSITION WITH THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA?

A. My name is Jacqueline R. Cherry. My business address is 101 Executive Center Drive, Columbia, South Carolina. I am employed by the Public Service Commission of South Carolina, Audit Department, as an auditor.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a B. S. Degree in Business Administration, with a major in Accounting from Johnson C. Smith University in 1976. I was employed by this Commission in February 1979, and have participated in cases involving gas, electric, telephone, water and wastewater utilities.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to summarize the results of the Audit Staff's examination of South Carolina Electric & Gas Company's Fuel Adjustment Clause operation for the period March 2001 through April 2002. The findings

1 of the examination are contained in the Audit Department's section of the
2 Commission Staff Report.

3 **Q. WHAT WAS THE SCOPE OF YOUR AUDIT?**

4 **A.** The Audit Department Staff traced the information as filed in the Company's
5 required monthly filing, to the Company's books and records. The current
6 examination covered the period March 2001 through April 2002. However,
7 since this current hearing was scheduled for April 2002, Staff's audit work
8 did not include any testing for the months of March and April 2002. The
9 purpose of the audit was to determine if South Carolina Electric & Gas
10 Company had computed and applied the monthly Fuel Adjustment Clause in
11 accordance with the approved clause. To accomplish this, Staff examined
12 the components surrounding the operation of the clause.

13 **Q. WHAT WERE THE STEPS THAT THE STAFF EMPLOYED WITHIN THE**
14 **SCOPE OF THE AUDIT?**

15 **A.** The examination consisted of the following:

- 16 1. Analysis of Account # 151 – Fuel Stock
- 17 2. Sample of Receipts to the Fuel Stock Account – Account # 151
- 18 3. Verification of Charges to Nuclear Fuel Expense, Account # 518
- 19 4. Verification of Purchased Power & Interchange
- 20 5. Verification of KWH Sales
- 21 6. Analysis of Spot Coal Purchasing Procedures
- 22 7. Recomputation of Fuel Adjustment Factor and Verification of
23 Deferred Fuel Costs
- 24 8. Recomputation of True-up for the (Over)Under-Recovered Fuel
25 Costs
- 26 9. Details of Fuel Costs

1 **Q. WITH REGARD TO THE TRUE-UP OF (OVER)UNDER-RECOVERED**
2 **FUEL COSTS, WOULD YOU PLEASE ELABORATE ON STAFF'S**
3 **COMPUTATION?**

4 **A.** Staff analyzed the cumulative under-recovery of fuel costs that the Company
5 had incurred for the period March 2001 through February 2002 which totaled
6 \$40,472,698. Staff added the projected over-recovery of \$2,996,000 for the
7 month of March 2002 and the projected over-recovery of \$1,786,800 for April
8 2002 to arrive at a cumulative under-recovery of \$35,689,898. The
9 Company's cumulative under-recovery as of April 2002, per its testimony in
10 Docket No. 2002-2-E, totals \$36,504,651. The difference between the
11 Company's and the Staff's cumulative under-recovery balances as of actual
12 February 2002 and as of estimated April 2002 totals \$814,753. This
13 difference is based on various corrections Staff reflected in various Company
14 fuel costs, such as Fossil Fuel Burned Costs, Nuclear Fuel Costs, Purchase
15 and Interchange Power Fuel Costs, and Intersystem Sales for several
16 months of the review period (per Staff's report). Staff's Exhibit G,
17 Computation of Unbilled Revenue, which consists of two pages, provides
18 detailed explanations for this cumulative under-recovery difference of
19 \$814,753. It should be noted that the Company will true-up the cumulative
20 difference of \$814,753, on a per books basis, by the next fuel review period.
21 As stated in South Carolina Electric & Gas Company's Adjustment for Fuel
22 Costs, fuel costs will be included in base rates to the extent determined
23 reasonable and proper by the Commission. Accordingly, the Commission
24 should consider the under-recovery of \$35,689,898 along with the
25 anticipated fuel costs for the period May 1, 2002 to April 30, 2003, for the
26 purpose of determining the base cost of fuel in base rates effective May 1,
27 2002. This \$35,689,898 under-recovery figure was provided to the
28 Commission's Utilities Department. The previously described numbers are
29 all based on the Commission allowing full recovery of fuel costs based on the

1 testimony of Staff Witness Watts. However, in view of the Commission's
2 decision in the most recent CP&L fuel case under Docket No. 2002-1-E,
3 where CP&L's fuel costs component of purchased power was determined by
4 application of a 60% proxy factor in instances where the fuel cost was not
5 specifically identified, and in the event that the Commission makes a similar
6 determination in this case, Staff has made a calculation whereby \$8,600,495
7 (on a S.C. Retail Basis) could be deferred and recorded as a Deferred Debit
8 and recovered in the Company's next general rate case.

9 **Q. MRS. CHERRY, WOULD YOU PLEASE DESCRIBE THE REMAINING**
10 **STAFF EXHIBITS?**

11 **A.** Staff prepared exhibits from South Carolina Electric & Gas Company's books
12 and records reflecting fuel costs during the review period.
13 Specifically, these exhibits are as follows:

14 Exhibit A: Total Received & Weighted Average Cost

15 Exhibit B: Received Coal-Cost Per Ton (Per Plant)

16 Exhibit C: Received Coal-Cost Per Ton Comparison

17 Exhibit D: Burned Cost-Consumed Generation

18 Exhibit E: Cost of Fuel

19 Exhibit F: Factor Computation

20 Exhibit G: Computation of Unbilled Revenue

21 **Q. MRS. CHERRY, WHAT WERE THE RESULTS OF THE AUDIT**
22 **DEPARTMENT'S REVIEW?**

23 **A.** Based on the Audit Staff's examination of South Carolina Electric & Gas
24 Company's books and records, and the utilization of the fuel cost recovery
25 mechanism as directed by the Commission, the Audit Department is of the
26 opinion that the Company has complied with the directives (per the Fuel
27 Adjustment Clause) of the Commission.

28 **Q. MRS. CHERRY, DOES THIS CONCLUDE YOUR TESTIMONY?**

29 **A.** Yes, it does.